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THE NEW YORK PRODUCE EXCHANGE

BY E. R. CARHART,

President of the New York Produce Exchange.

A history of the New York Produce Exchange as a chapter in an economic study of the produce markets of the country involves far more than the mere story of an individual trade organization. In connection with its legitimate ancestry it may be noted that it is easily the oldest commercial institution on the American continent; its history is wrapped up in the history of the agricultural trade of New York, having its beginnings away back in the days of Dutch occupation, when trading in wheat by cargoes at a price per bushel was inaugurated. In such a paper as this, however, which must necessarily be brief, and which has to do in the main with the exchange as an exchange, we must content ourselves with only a very general statement so far as trade history is concerned.

In 1626 the *Arms of Amsterdam* carried the news to Holland that Peter Minuet, as director-general of New Netherland, had made formal purchase of the island for sixty guilders, or about twenty-four dollars of our currency. She carried a cargo of eight thousand beaver and other skins, as well as oak and hickory timbers. It is also a matter of record that in 1643, three large vessels arrived at New Amsterdam from the West Indies to take on cargoes of wheat, and thus began the commerce of America, illustrating in its beginning the general characteristics of its after history, and also the rapidity with which the fruit of the field followed and displaced the spoil of the forest. From the day when trade was an ever-unfolding romance down to the present when trade has become a fixed science, New York has been the gateway of American commerce. Her natural advantages gave her easy ascendancy over all her competitors, and it is interesting to note the part these advantages have played in the development, not only of the trade of New York, but of the commerce of the country itself and the history of the nation as well. Its magnificent harbor, capable of sheltering the commerce of a continent, has of course always been

the chief factor in the development of the trade of New York. It not only allured to its shores the trade of the outside world, but it enabled the little colony to utilize its other natural advantages at a time when those advantages meant much more than they now do. Its great harbor, together with its situation at the entrance to Long Island Sound, gave it an entry to the most fertile and easily developed part of New England; its location at the mouth of a navigable river penetrating one hundred and fifty miles into the interior, offering at several places in its course easy access to the cross-country and having at its head a rich country easily cleared and developed, opened a pass at almost tide level clear across the state to the Great Lakes and so on to the Far West; all these advantages made New York the natural center for the immense volume of trade which early began to flow back to it through these channels.

In 1678 Governor Andros reports that "Our produce is land provisions of all sorts, as of wheate exported yearly about 60,000 bushels, pease, beefe, pork, and some fish, tobacco, etc."

In 1774, according to Governor Tryon, the exports to Great Britain amounted to 160,000 pounds sterling, and consisted of "wheat, Indian corn, oats, rye, peas, barley, buckwheat, live-stock, timber and lumber, flour, pork, beef, etc."

These reports indicate exactly the character of New York's early trade, and were the story continued in detail year by year, it would simply be told in the same terms but in larger figures, until the day when the products of mine and factory were added to those of forest and farm.

Confining our study entirely to the agricultural trade of New York, we find that New York soon had added to her natural advantages other advantages almost as powerful in their determining influence on the trade of the country in favor of the metropolis. We need mention but two of these: First, New York became the financial center of the country; she had control of resources that enabled her to make immediate advances on all produce seeking its ultimate market through her. And, second, the completion in 1825 of the Erie Canal.

Soon after the canal was completed and in actual use there began that great demand for American foodstuffs which resulted in the development of extensive milling interests, the building up

of a fast clipper service between New York and Europe, and all the wonders that accompanied the growth and development of American agriculture.

Looking at trade history from the standpoint of the produce markets of the country, there began at this time a period of uninterrupted progress and development lasting for over fifty years. It was a period of intense activity, of almost superhuman endeavor, of colossal enterprise, and of constant adjustment and readjustment to the needs of enlarging trade; and during the whole period New York proudly maintained her supremacy. She was aided in this by the advantages already referred to. The open line of communication through her port with every part of the world, and her ability to finance the movement of the crops of the country, gave her easy ascendancy in the grain trade, and made her master of the flour and provision trades.

The provision trade illustrates the situation. There were scattered all through the West packing houses whose operations were confined mainly to the "packing season" beginning November 1st and ending March 1st, during which period all products had to be put down in cure in order to be "regular" for delivery. These houses depended upon the surrounding territory for their supply of live-stock and constituted the natural market for that live-stock. The result of their operations was the accumulation by the end of the "packing season" of practically the full supply of pork, beef and lard for the year. This product gradually found its way to the markets, and New York obtained the principal share. Great quantities were shipped in and stored in the great provision inspection yards of New York conducted under rules of the New York Produce Exchange, where it remained until started on its final journey to the consumer. Some of this product was shipped in for delivery on sales made in advance of its packing, which fact made its packing possible; and some of it on consignment for storage, in order that it might be where it could be well cared for and easily financed, and where quick advantage could be taken of favorable market conditions. It all formed the basis of the trading on the exchange. The period, as a whole, developed the produce exchanges of the country as we now have them, and before its close they had become what they have always remained—the great clearing-houses of commerce.

In the eighties, however, the commerce of New York began to feel the effect of the great economic and industrial changes that were taking place throughout the country. These changes revolutionized trade everywhere, and in no place more than in New York. The advent of steam on the ocean; the extension of railroads on the land; improved financial conditions and facilities throughout the country; refrigeration and the introduction of the refrigerator car; the use of the telephone; the growth of the great milling and packing-house corporations, with their immense capital, splendid organization and extensive sales and distributive departments—all contributed toward the revolution in trade methods, and resulted in opening up many new channels for the steadily enlarging trade of the country.

The exchanges of the country, as trade centers, were materially affected by the new order of things. Some of the changes were fundamental, and affected them all alike, while others affected them favorably or unfavorably according to their location and to the nature of the business transacted on their floors. To New York it all meant an active fight to hold the trade that formerly came to her without an effort on her part. Other ports began actively to compete for a share of her export trade. Western states began to assert themselves as trading centers. Canada became a formidable competitor. And, to cap it all, the railroads, pushed to the limit of their capacity by the enormous export trade of New York and by the demands of her constantly enlarging local business, sought to divert some of her heavy export traffic by establishing differential rates against her in favor of other cities where it could be handled at less expense to themselves, and with less interference with high-class freights. The result has been that while New York still remains the great center of international trade, she has not made the relative trade gains that other ports have in those articles named by Governor Tryon in 1774. Nor is this all. In some articles, principally those in which the products of the farm have been processed or manufactured, such as flour and provisions, New York has lost her importance as a trading center, having become to a large degree a point of transfer on through shipments. She has thus held her traffic, but has lost her trade. On the other hand, her own home trade has increased enormously. Looking at the magnificent city of to-day, with its millions of people whose needs

form the basis of a trade so vast as to make it the object of rivalry on the part of the nations of the earth, it is difficult to realize that less than seventy years ago a ship sailing from its port for Liverpool with a cargo of ten thousand barrels of flour marked an epoch in the history of American trade. New York City's consumption of flour now amounts in one day to more than that whole cargo, while the metropolitan community, of which the city proper is only a part, consumes each day almost two such cargoes. For the year ending June 30, 1911, the total exports of flour from the port of New York, reduced to barrels, amounted to 3,446,616 barrels. It is estimated that New York City proper consumed over 4,000,000 barrels in the same period of time. For the same year the total exports of flour from all Atlantic ports amounted to 7,400,282 barrels. According to estimates, what is known as the metropolitan district consumed nearly, if not quite, 7,000,000 barrels. These figures will give some idea of what New York's own trade means to its mercantile community.

As another offset against the losses mentioned, new trades and interests are constantly developing throughout the country, and when they reach a state of importance they seek a place on the exchanges. The chief example we have of this in New York is the cotton seed oil trade. The production of cotton seed oil for the year 1910 amounted to 167,970,000 gallons. New York has become the primary market of the cotton seed oil industry, and prices of cotton seed oil everywhere are based upon the quotations resulting from trading therein on the floor of her exchange.

This brief outline of trade history will give some slight conception of the general conditions out of which the New York Produce Exchange sprung into existence, and under which it has maintained itself and carried on its work. It really constitutes an outlined history of the exchange itself—aside, of course, from its organizational life.

Exchanges such as the New York Produce Exchange are merely organized trade. They are not organized for the purpose of making money. They, as institutions, have nothing to do with the making of prices of commodities dealt in on their floors. They are simply organized market-places. By gathering the latest information of trade interest, they simply enable their members to come to a quick decision as to what prices ought to be, and, by

disseminating that information abroad, perform a like service for the general public. The result is that their quotations, which are simply a record of trades made, represent the average opinion of all those interested in a given article as to what the value of that article really is at the time the trade is made. They do not control trade. They regulate it, being trade's own self-imposed check upon itself, in order to prevent congestion and chaos. Such exchanges are never organized in any community in advance of the coming of trade, for the purpose of developing trade. They are the outcome of trade itself, and trade conditions write their history. This all holds good of the New York Produce Exchange. Descended from a long line of market-places, a trade ancestry of two hundred and fifty years is proudly claimed for it. The record of direct succession is not perfect, and might easily be disputed, but from the standpoint of the efforts of trade to meet changing conditions with facilities for the care of new needs thus created, the claim is fully substantiated.

The first depot, or market-place, in New Amsterdam was located in the "Company's Stores." These stores were erected in the early days of the colony, and occupied a part of the site of the present produce exchange building. They stood facing Fort Amsterdam, with an open space about one hundred feet wide between. This space ran about parallel with Whitehall Street, and was used as a public market field or place. From it the little alley known as Marketfield Street, closed in part by the erection of the produce exchange building, took its name.

In 1658 a market-place was built in front of the fort, on the present site of Bowling Green, in front of the present exchange. This was known as the "Broadway Shambles," and was used as a market-place until 1707, when it was removed—only to be restored again, however, in 1720, when it was ordered that "The old market-place in the Broadway be and is hereby held as a public market-place until further notice."

In 1656, at the "Strand," on the site of the old building of the produce exchange, on the east side of Pearl Street, between Moore and Whitehall Streets, then the water front, a market was established. For it, in 1675, the High Court of Assize ordered that a "fitt house be built." This market was known as the "Custom House Bridge" market. It did not have a very long life, for in

May, 1684, it moved to the market-field at Bowling Green. Two hundred years later, almost to a day, in May, 1884, the New York Produce Exchange made the same move, leaving its old building on the site of the Custom House Bridge market for its new building on the site of the old market-field. These markets, however, did not in any way take to themselves the character of an exchange. The market-field was the general meat market and assembly place, and the Strand was the meeting place for country wagons. They serve to identify the site of the present exchange with the early traditions of the trade of New York, but that is all.

The first building known as an exchange was erected in 1690-91 at the foot of Broad Street, to which place the scene of water front activity was shifted from the Strand at the foot of Whitehall Street. This building was first erected as a Shambles, but with the closing and moving of the other markets became the resort of all sorts of traders, and gradually became known as "The Exchange." This was followed by the erection in 1752, on the same site, of a much more pretentious structure known as the Royal Exchange, and sometimes called the Merchants' Exchange. In connection with the erection of this building the city records of 1752 contain the following:

WHEREAS, Several gentlemen, in this city, having voluntarily subscribed toward the erection of an exchange, at the lower end of Broad Street, near the Long Bridge, Mr. John Watts appeared before the board with a plan thereof, and desire their approbation, to which plan they unanimously agreed, and for the encouragement of so laudable an undertaking, voted that Mr. Mayor issue his warrant to the treasurer to pay one hundred pounds toward carrying on the work on said building. (Valentine's Manual, 1858.)

This exchange was a general exchange for all commodities, foodstuffs included, as was the old market house which preceded it.

Previous to the erection of the Royal Exchange, however, there was erected a little shed at the foot of Wall Street, known as the Meal Market. This was the first real grain exchange or market in New York. The corporation records of June, 1727, refer to it as follows:

It is ordained that the market house at the lower end of Wall Street is appointed for the sale of all sorts of grain, corn and meal, and none of such articles are to be sold in public market at any other place.

This establishes it as an official grain exchange, and as the direct pioneer of the present exchange. It continued in active existence until 1762, when its business scattered to the Royal, or Merchants', Exchange, the Broadway Market, and to the various assembly places on Wall Street, which had even at that time assumed its character as the financial center of the city.

The exciting political events of the period, together with the Revolutionary War, had much to do with the making of trade history in New York. The Royal Exchange and the Meal Market passed out of existence. In their place came the Wall Street Coffee Houses, the Merchants' Coffee House first, then the Downtown Coffee House, in which the commercial exchange met. The coffee house system had its origin in private enterprise, as well as public need. The idea was not at all new, for even the Royal Exchange had its coffee room upstairs.

More room was soon needed, and a more perfect organization demanded, and in 1825 the erection of a building for the Merchants' Exchange was begun. This building was finished in 1827, and next to the City Hall was the most imposing and costly building in the city. It was destroyed by fire in 1835, but was immediately rebuilt. In its later years it became the United States Custom House, and now, remodeled, is occupied by the National City Bank. The new building had a frontage of 200 feet on Wall Street, a depth of 160 feet on Hanover Street and William Street, and was seventy-seven feet high. Its rotunda had a height of eighty feet, and the dome was "supported on eight pilasters of fine variegated Italian marble." New York always took a pride in its classical front of eighteen Doric columns of Quincy granite, each thirty-eight feet high and four and a half feet in diameter. As an illustration of how deep that pride was, we have only to note that these columns have all been preserved in the new building of the National City Bank.

The merchants' exchange was a general commercial center and embraced all branches of trade. Merchants in all lines of commerce met here daily to consider questions incident to their trade, gather the latest news and transact their business. The grain merchants met in this exchange every day at two o'clock. The center of the flour and grain trades, however, remained at the corner of Broad and South Streets, where the flour men met daily on the sidewalk

for the transaction of business before assembling at the regular exchange. It was at this time that the great European demand for American foodstuffs set in and business began to grow with leaps and bounds. It was not long before the South Street merchants became tired of the journey to Wall Street for the nominal settlement of contracts already entered into, and out of the sidewalk gathering there was organized in 1852 the New York Corn Exchange. This exchange was chartered in 1853 and leased the store at No. 16 South Street. It soon became crowded for room and leased other adjoining property until it had control of two buildings on South Street and two buildings on Broad Street, out of which a single "L" shaped room was created for exchange needs.

But makeshifts would not suffice for growing needs, and in 1860 out of the members of the corn exchange there was formed a corporation known as the "New York Produce Exchange Company" for the purpose of erecting a suitable building for a produce exchange on the block bounded by Water, Pearl, Whitehall and Moore Streets, the site of the old Custom House Bridge Market. This building was completed in 1861.

A second body known as the "New York Commercial Association" was organized by members of the corn exchange and others, and this body was the real exchange. It occupied the new building as tenants, but managed its own affairs, adopted its own rules, etc.

In 1862 the new association was granted a charter so broad and comprehensive that it still remains unchanged in any of its essentials and has frequently been used as a model in the organization of other exchanges. At the close of the first year the membership numbered 1,238. In 1870 the membership had increased to 2,023. In 1868 the name was changed to the "New York Produce Exchange," and in 1872 the exchange took over the building as owner. Because of the immense amount of business transacted and controlled by its members, all of which was carried on under its rules and regulations, it became at this time the wealthiest and most influential exchange in the country, and it exerted all its power and influence for the development of the highest standards in business life. It continued to grow rapidly in prestige, influence and importance, and in 1878 its membership numbered 2,468. Its building, with both floors given over to exchange use, became too small for its needs and a movement for a new building began.

Funds were gathered by passing a by-law in 1880 limiting the membership to 2,700 and fixing the initiation fee at \$1,000. Later 300 additional memberships were issued at \$2,500 each. These were quickly taken and a new building was assured.

The story of the new building enterprise is the story of strong men working for an ideal and succeeding. The present site at Bowling Green, including a part of the old Market-Feldt, was secured in 1880, and on May 6, 1884, the members of the produce exchange took triumphant possession of their present building. This building has never lost its place as one of the finest buildings in the world dedicated to commerce and trade, and in the eyes of many people its trading floor, as such, has no rival in the world. The building has a front of 312 feet on Whitehall Street, 150 feet on Beaver Street, 148 feet on Stone Street. The main building is 120 feet high, the tower rising to a height of 225 feet. The main floor consists of 31,680 square feet, the dimensions being 220 by 144 feet. The stained glass skylight overhead has an area of one-fifth of an acre. The girth of the outside walls of the building is one-fifth of a mile. Other adjoining property has since been acquired, the value of the whole being now variously estimated at from \$6,000,000 to \$8,000,000.

Thus we see that the New York Produce Exchange is the outgrowth of the needs and necessities of the commerce of the port of New York. It was not manipulated into existence; it was not organized out of hand. It began on the sidewalk and has grown to its present magnificent proportions because it is the best possible expression of those needs and necessities. In fact, it is those needs and necessities in the concrete.

The New York Produce Exchange is a great big market-place, nothing more, nothing less. On its floor wheat, corn, rye, oats, barley and other grains, flour, meal, hops, hay, straw, seeds, pork, lard, all sorts of meat food products, tallow, greases, cotton-seed oil and various other animal and vegetable oils, naval stores of all kinds, butter, cheese and other commodities are bought and sold in quantities ranging from a single package to whole cargoes. It is a place where men engaged in various mercantile pursuits and in allied industries, manufacturing or otherwise, gather for various purposes; to keep in touch with each other and thus in touch with all that is going on in the business world; to gather daily informa-

tion concerning growing crops, stocks of merchandise, movements of produce, current quotations for all sorts of produce in all markets of the world; to trade with each other as principals and for others as brokers and commission men; and to make initial arrangements for the care of all the details incident to business transactions, such as freight engagements, insurance, inspection, warehousing, delivery, etc. It is, moreover, a market-place where all transactions are safeguarded; where men must deliver what they sell and pay for what they buy; where, by force of all the circumstances, honesty must prevail, for here customs of trade have crystallized into rule and regulation, all grades and qualities are carefully defined and all trade terms and phrases clearly understood.

Each one of the various trades, such as the flour trade, the grain trade, the cotton oil trade, the steamship trade, etc., is to all intents and purposes an exchange by itself. Its members meet together in a given place on the floor. It is presided over by a trade committee, which interprets its rules and decides all disputes under the rules. It makes its own rules and regulations, subject to the approval of the board of managers; and in the making of its rules every trade member has a vote, thus making its rules the composite judgment of all interests concerned therein—great corporation, small dealer, buyer, seller, broker, commission man, exporter, etc.

Over and above these rules are the by-laws and rules of the exchange itself, which apply to all trades alike and have to do largely with the internal affairs of the corporation and its membership.

Hence the exchange has come to be a meeting place, not only of the man who handles cargoes for world distribution, but of the butcher, the baker, the grocer of New York city and vicinity, who recognizes the conveniences it affords, the opportunities it presents and the safety it gives.

The exchange itself is merely the organized machinery of a great market-place. Its main chartered purposes are: to maintain a suitable room for such market-place; to inculcate just and equitable principles in trade; to establish and maintain uniformity in commercial usages; to acquire, preserve and disseminate valuable business information; and to adjust controversies and misunderstandings between persons engaged in business—and this is all that it does.

In discharging its functions it appoints and licenses, on the nomination of the various trades concerned, inspectors and weighers; maintains a grain inspection bureau, a flour inspection bureau and a chemical bureau for the official analysis of certain food products. It provides machinery for the adoption of trade rules and their enforcement. These trade rules apply to the non-member as well as to the member, and the non-member as well as the member has the privilege of using the machinery provided by the exchange to compel their enforcement. Through its rules for the handling of business, large economies of labor and expense are effected, and it virtually becomes a great clearing house of commerce.

It has general agreements with warehousemen, with great railroad lines, with various steamship and other maritime interests, covering the general needs of the trade at large, and in many instances these agreements have resolved themselves into forms of bills of lading, charter parties, etc., and are used generally in the commerce of the port. Agreements with the railroad companies also provide for the grading of grain at the railroad terminals in such manner as to effect large economies in labor, expense and terminal space. In the matter of grain, even the charges for receiving, weighing, discharging, towing, lightering, blowing, screening or dusting, etc., are subject to general agreements entered into by the exchange and the various interests concerned therein.

The regulated conduct of business on the New York Produce Exchange and similar exchanges accomplishes in a very natural way what the congress and the courts have been seeking to accomplish by force of law; that is, by the free and unrestrained use of an open market it prevents combinations in restraint of trade. The great monopolistic corporation is the one great foe of the commercial exchanges. An open market in which all the world may trade is just what such corporations do not want. It may be of further interest to note a fact that all merchants are well aware of—that an open market in which there is large trading tends to minimize fluctuations in value. A narrow market means violent fluctuations, but a great, broad market, capable of absorbing all business thrown into it, reduces fluctuations in values to a minimum.

Of course, in the same degree that the exchange makes trading easy and safe for the merchant, it makes trading easy and safe for

the man of a speculative turn of mind who wishes to act on his judgment as to values in precisely the same way that the title guarantee and trust companies, in combination with great estates and other financial interests making it easy and safe for a poor man to buy a home or for anybody to buy real estate, make it, in the same degree, easy and safe for the man of a speculative turn of mind to buy and hold real estate for an advance in value. In this connection it should be remembered that, though by the perfection of its machinery for the handling of business transactions, it enables men to make speculative purchases and sales, it also, by the same perfection of machinery, enables merchants to remove entirely the element of speculation from their business.

An indication of the great variety of interests represented on its floor is found in the fact that an attempt to make up a classified business list of its present membership resulted in a list of eighty-four headings, and one of these was miscellaneous with 202 members included therein; 297 members are identified with the flour industry; 256 with grain; 374 are receivers and shippers of general commodities; 133 are connected with transportation interests, 91 of these being identified with the steamship trade, showing the great importance of the export trade on the floor; 131 are provision men, 88 are concerned in the various lines of oil, 64 deal in stocks and bonds, 54 are bankers, 50 are insurance men, 38 are brewers, 37 are grocers, 63 are executives of corporations, etc. Hay, seed, feed, elevating, inspectors, weighers, measurers, tallow, greases, fertilizer, naval stores, millers, custom brokers, lawyers, bakers, coffee, lumber, vinegar, dried fruits, beans and peas are all included in the list, and so it goes on.

Even this partial list will, no doubt, surprise those whose only conception of a produce exchange is that it is a place where a few men meet for the purpose of speculating in wheat for themselves and for others. It is quite true that there is a wheat pit on the floor of the exchange; the grain business of the port could not be transacted without it. There is also a lard ring and a cotton oil ring. The trading in lard is insignificant. In cotton oil the trading is heavy, but is practically all confined to those whose business is in some way or other related to it. In wheat alone is the trading at all general, and this is because it is an article of universal interest. How small a figure the speculative business as such counts in the

business of the whole membership is shown by the fact that only 256 members are identified in any way with the chief article of speculation, and of these many are not at all concerned with the speculative side of the business and do not even use the future market in their business transactions. Over 100 of the 256 credited to the grain trade are in this class. No record is kept in New York of daily transactions in "futures in wheat." The business is largely contingent on the stock of wheat carried, and this in turn, aside from local needs, is contingent on the exportable surplus of the current crop and on whether Europe is buying our wheat or not. European interests trade largely in the New York market, and their operations are mostly of that hedging character so essential to the safe conduct of legitimate business.

The New York Produce Exchange is a semi-public institution. Its charter is a broad one and the state expects a full return in service to the community. Its functions are not alone to maintain a room for its own use and to establish uniformity in commercial usages for its own benefit. It must gather and disseminate valuable business information. This it does. Instantaneous quotations are shown on its blackboards in wheat, corn and oats from Chicago, Toledo, St. Louis, Kansas City, Minneapolis, Duluth and Winnipeg; in provisions and oils from Chicago; and cables are shown from Liverpool, Paris, Antwerp, Berlin, Budapest and Buenos Ayres, and all this information is given to the public through arrangement with the telegraph companies. Its statistical department is maintained at an expense of between \$40,000 and \$50,000 per year, and renders very valuable service to the whole community.

One of the chief functions of the exchange in connection with its public service is to foster and develop the commercial interests of the port of New York. In this the exchange itself is vitally interested, for anything affecting the commercial interests of the port, either favorably or unfavorably, is instantly felt by its members. While it interests itself in all legislation affecting commercial interests, probably its chief service to the port at large lies in its constant effort to keep open all avenues leading to New York. Under this head may be placed the efforts of the exchange to force the withdrawal of differential railroad rates against New York and its splendid work in connection with the new barge canal, for which it is largely responsible.

An illustration of the public value of its work along these lines may be found in the result of its recent single-handed contest against the practically prohibitive railroad rates on ex-lake export grain at-and-east of Buffalo. It succeeded in its efforts in May last, and as a result New York grain exports in May and June doubled over last year, practically all at the expense of Montreal, which port had been profiting at the expense of the Atlantic seaboard ports for several years by the railroad rates in its favor.

In its effort to adjust controversies and misunderstandings between persons engaged in business, its arbitration committee plays an important part. This committee has large powers in all matters submitted to it. It has the power to subpoena witnesses within certain districts, and all its decisions have the same force and power as a decision of the supreme court, and upon proper filing and proving the clerk of the supreme court will issue a judgment thereon. The arbitration committee has always been held in high regard by the business world. It has been extensively used, and by its splendid service has done much to advertise and popularize arbitration as a means for the settlement of business differences.

The complaint committee is the grand jury of the exchange and is the key to the enforcement of all its rules. All trade differences not submitted by agreement to some one of the trade committees or to the arbitration committee for settlement may be brought to an issue by a complaint. This results in an inquiry by the complaint committee, whose first aim is to conciliate the disputants. Failing in this, it either dismisses the complaint or refers it to the appropriate trade committee for settlement or to the board of managers for discipline. Non-members may use the committee or may be proceeded against in any case arising in connection with a transaction entered into with or through a member. Disciplinary action against non-members may result in their being denied representation on the floor of the exchange and members prohibited from trading for them. Many agreements to arbitrate are reached and many cases are settled out of court by threatened use of the complaint committee.

In common with many other exchanges, the New York Produce Exchange maintains a gratuity system making provision for the families of deceased members. When it was first established, membership in the gratuity system was made optional with existing

members but compulsory on all future members. As the system soon grew to be very expensive, it raised many serious membership problems, causing a gradual withdrawal of memberships for which the owner had no further active use, and preventing many whose use of membership would be merely nominal from uniting with the exchange. These problems have been wisely handled, and by means of an associate membership class it is now possible to join the exchange without assuming gratuity obligations if one so elects.

There are one hundred associate members on its list of membership. Gratuity matters have played an important part in the history of the internal affairs of the exchange during the last fifteen years, but, as they have nothing to do with the history of the exchange as a market-place, or with its economic position as such, they have not been referred to at length in this paper.

Because of its large property holdings the exchange is very strong financially, and after providing for all its work has a yearly surplus of \$60,000 to \$70,000, half of which is paid into the gratuity fund, the remainder being used for the purchase and cancellation of surplus memberships, thus keeping the membership an active one and gradually settling the gratuity problem. The present membership is 2,055, including associate members.